

Income/Franchise:

Louisiana DOR Explains Impact of Federal and State Tax Law Changes Involving NOLs

Revenue Information Bulletin No. 22-011: Federal and State Changes to Deductions for Net Operating Losses, La. Dept. of Rev. (5/17/22). The Louisiana Department of Revenue issued a bulletin summarizing recent federal and Louisiana income tax law changes to the treatment of net operating losses (NOLs) [see S.B. 36 / Act 459 (2021) and previously issued Multistate Tax Alert for more details on the related Louisiana income tax law changes] and providing guidance to Louisiana taxpayers on the state tax implications of such changes. For Louisiana corporate income tax purposes, the bulletin explains the Louisiana treatment of corporate NOLs does *not* conform to the federal treatment, and, thus, the changes to federal NOLs under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (*i.e.*, P.L. 116-136) do *not* apply to Louisiana corporate income tax returns. More specifically, the bulletin provides the following:

URL: [https://revenue.louisiana.gov/LawsPolicies/RIB%2022-](https://revenue.louisiana.gov/LawsPolicies/RIB%2022-011%20Federal%20and%20State%20Changes%20to%20Deductions%20for%20Net%20Operating%20Losses.pdf)

[011%20Federal%20and%20State%20Changes%20to%20Deductions%20for%20Net%20Operating%20Losses.pdf](https://revenue.louisiana.gov/LawsPolicies/RIB%2022-011%20Federal%20and%20State%20Changes%20to%20Deductions%20for%20Net%20Operating%20Losses.pdf)

URL: <https://legis.la.gov/legis/BillInfo.aspx?s=21RS&b=SB36&sbi=y>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-mta-louisiana-enacts-law-to-extend-carryover-of-corporate-net-operating-losses-to-an-indefinite-period.pdf>

- If a corporate taxpayer carries back an NOL on a federal return and the carryback results in a reduction of the federal income tax liability deducted on a Louisiana return for a prior period, the corporation must adjust its state taxable income, for the tax year in which the taxpayer incurred the NOL that was carried back, by the reduced federal income tax liability in the year the federal NOL was carried back; and
- Louisiana NOLs during years where a federal NOL originated and was carried back must be adjusted by the reduction in the federal tax liability previously deducted on a Louisiana return for the tax year when the NOL was carried back.

The bulletin also includes a summary of Louisiana law changes to the corporate NOL deduction since 2015. Please contact us with any questions.

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